

123 047

~~27904~~



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON D.C. 20548

B-208412

MARCH 30, 1984

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives

The Honorable Strom Thurmond
President pro tempore
United States Senate

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental Affairs
United States Senate



123847

The Honorable Ronald V. Dellums
Chairman, Committee on the
District of Columbia
House of Representatives

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia

The Council of the District of Columbia
Washington, D.C. 20004

Subject: Annual Report Required by District of Columbia
Retirement Reform Act, as Amended
(GAO/GGD-84-64)

In accordance with subsection 145(b) of the District of Columbia Retirement Reform Act (Public Law 96-122, as amended by Public Law 98-104), we are sending you our comments on the enclosed report prepared by Mr. Donald S. Grubbs, Jr., of George B. Buck Consulting Actuaries, Inc., on the disability retirement rate of District of Columbia police officers and firefighters. The act provides for annual federal payments to the District of Columbia Police Officers and Fire Fighters Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. The purpose of

(966172)

028501

making the payments subject to a reduction was to encourage the District government to control disability retirement costs.

Mr. Grubbs, an enrolled actuary, was engaged by the District of Columbia Retirement Board to (1) determine the 1983 disability retirement rate for District police officers and firefighters hired before February 15, 1980; (2) determine if that rate exceeded eight-tenths of one percentage point; and (3) prepare the annual report required by the act.

Subsection 145(a) of the act, as amended, established a "trigger mechanism" for determining whether the annual federal payment of \$34,170,000 to the District of Columbia Police Officers and Fire Fighters' Retirement Fund (authorized under subsection 144(a)(1) of the act) is to be reduced. The Comptroller General is required by the act to make this determination each year on the basis of a review of the disability retirement rate computed by the enrolled actuary. We have reviewed the actuary's report and other relevant data and concluded that no reduction is required in the fiscal year 1985 federal payment to the District's police and firefighters retirement fund. The basis for our determination is discussed in the remainder of this letter.

BASIS FOR OUR DETERMINATION

As defined by subsection 145(a)(2) of the act, as amended, the disability retirement rate is a fraction, the numerator of which is the number of District of Columbia police officers and firefighters hired before February 15, 1980, who retired on disability during the applicable calendar year. The denominator is the total number of police officers and firefighters hired before February 15, 1980, who were on active duty as of January 1 of the applicable calendar year. A disability retirement rate greater than eight-tenths of a percentage point triggers a reduction in the next annual federal payment. Thus, the trigger mechanism governing the fiscal year 1985 payment is based on members retiring on disability in calendar year 1983 (the numerator) and members on board on January 1, 1983 (the denominator). The enrolled actuary must report the determinations made under the law (along with related documentation) to the Retirement Board and to the Comptroller General no later than March 1 of each year.

Our comments must include a statement as to whether or not the determinations made by the enrolled actuary fairly present, in all material respects, the requirements of the law. The law also requires that we make a determination as to the amount, if any, by which the annual federal payment is to be reduced. A reduction in the federal payment would amount to 1-1/2 percent

for each whole tenth of a percentage point by which the disability retirement rate is greater than eight-tenths of a percentage point.

We have reviewed the enclosed report from the actuary and discussed it with District and Retirement Board officials. The report cited the number of disability retirements in 1983 (the numerator for determining the rate) but the disability retirement rate was not based on the actual number of members on board on January 1, 1983 (the denominator). District and Board officials explained to us that the number of police officers and firefighters hired before February 15, 1980, and still on active duty on January 1, 1983, was not known. The District's computerized records are continually updated and information for a particular date is not readily available unless a report was prepared on that date. There was no report for January 1, 1983. According to Board officials, the actuary used the number on active duty included in a March 1982 report and estimated how many were still on duty the following January 1 by using historical attrition rates. This figure resulted in the rate determination of 0.401 percent as reported by the actuary. While this approach was practical in view of the lack of January 1, 1983, data, it was not in accordance with the requirements of the act.

We could not determine the precise disability retirement rate for 1983 because the January 1 denominator--the number of members on board--for that year is unknown. However, by using a denominator from a later date (which we would expect to be smaller than the January 1, 1983, denominator because of attrition) we determined that the disability retirement rate for 1983 could not have exceeded eight-tenths of a percentage point.¹ Thus, no reduction is required in the fiscal year 1985 payment to the District's police and firefighters retirement fund.

Nonetheless, to comply with the act, we recommend that the District of Columbia Retirement Board ensure that future determinations are based on actual data as of each January 1 and that the enrolled actuary's annual report include the information

¹For the 19 disability retirements in 1983 to have caused the rate to be in excess of eight-tenths of a percentage point, the number on active duty on January 1, 1983, would have to have been less than 2,375. In early 1984, there were 4,407 active duty members hired before February 15, 1980. Since this is a closed group (no new members can be added) the number on active duty on January 1, 1983, would not have been less than the number on active duty in early 1984. Therefore, the disability retirement rate could not have exceeded eight-tenths of a percentage point.

used in determining the disability retirement rate for the applicable year. We understand from discussions with officials of the Retirement Board that they will notify the District of its responsibility to provide the necessary figures as of each January 1.

Subsection 145(b) of the act, as amended, requires that we send our report to the Speaker of the House of Representatives; President pro tempore of the Senate; Chairman, Senate Committee on Governmental Affairs; Chairman, House Committee on the District of Columbia; Chairman, Senate Committee on Appropriations; Chairman, House Committee on Appropriations; the Mayor of the District of Columbia; and to the Council of the District of Columbia. We are also sending a copy of this report to the District of Columbia Retirement Board.

for Shilton J. Bowler
Comptroller General
of the United States

Enclosure

George B. Buck Consulting Actuaries, Inc.
1050 Seventeenth Street, N.W., Washington, DC 20036
Telephone 202/296 7264

March 1, 1984

BUCK
CONSULTANTS

Mr. Arthur M. Reynolds, Chairman
District of Columbia Retirement Board
415 12th Street, N.W., Room 224
Washington, D.C. 20004

Re: District of Columbia Police Officers and Firefighters' Retirement Fund
Disability Retirement Rate

Dear Mr. Reynolds:

Under Section 145(a)(1) of the District of Columbia Retirement Reform Act, each year beginning in calendar year 1984 the enrolled actuary for the District of Columbia Police Officers and Firefighters' Retirement must determine the disability retirement rate for the preceding calendar year.

The disability retirement rate for any year is a fraction, the numerator of which is the number of officers and members hired before February 15, 1980 who retired on disability during such year, and the denominator of which is the total number of such officers and members who were on active duty on January 1 of such year.

As the enrolled actuary, I have determined that the disability retirement rate is 0.401% for the 1983 calendar year. This rate was calculated using information furnished by the Police and Firefighters Retirement and Relief Board in the communication of January 19, 1984. Nineteen members who were hired before February 15, 1980 retired on disability in 1983.

Since the disability retirement rate is less than 0.800%, there is no reduction in the authorized federal appropriation of \$34,170,000 for the fiscal year commencing October 1, 1984.

Respectfully submitted,

GEORGE B. BUCK CONSULTING ACTUARIES, INC.



Donald S. Grubbs, Jr., F.S.A.
Consulting Actuary

DSG:bmj

cc: Comptroller General of the United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548